

Message Text

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ACTION NEA-10

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TAGS: ECON, EINV, EAID, EI, EG
SUBJ: SHANNON FREE PORT DEVELOPMENT CO "CONSULTANCY"
SERVICES TO EGYPTIAN INVESTMENT AND FREE ZONE AUTHORITY

SUMMARY: IN CALL BY TWO REPS OF SHANNON FREE AIRPORT DEV-
ELOPMENT COMPANY, ACCOMPANIED BY IRISH CHARGE, THEY EXPLAINED
THEIR CONSULTANCY ACTIVITIES FOR EGYPTIAN INVESTMENT AND
FREE ZONE AUTHORITY. IRISH GROUP HAS SUBMITTED VARIOUS RE-
PORTS, INCLUDING ONE RECOMMENDING ESTABLISHMENT OF FREE ZONE
IN NASSER CITY AT COST OF APPROX \$38 MILLION. SFADC REPS
WISHED TO EXCHANGE VIEWS, SOLICIT EMBASSY SUPPORT FOR THEIR
RECOMMENDATIONS AND EXPLORE POSSIBILITY USG FINANCING OF
PROPOSED NASSER CITY FREE ZONE INFRA-STRUCTURE. GROUP HAS
FOR A YEAR OR MORE BEEN ATTEMPTING OBTAIN MINECON/COOP
APPROVAL TO RE-ORGANIZE EGYPTIAN INVESTMENT AND FREE ZONE
AUTHORITY TO MAKE IT MORE COMMERCIALY ORIENTED. EGYPTIANS
STILL STUDYING SUBJECT. AMB EXPLAINED OUR EFFORTS OVER
PAST SEVERAL YEARS TO ENCOURAGE PRIVATE AMERICAN CAPITAL
INVESTMENT AND REASONS FOR LACK OF PROGRESS. HE URGED IRISH
REPS JOIN IN IMPRESSING UPON GOE THE NEED TO IMPROVE ENTIRE
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INVESTMENT CLIMATE. AMB AGREED WE WOULD STUDY NASSER CITY
COST BENEFIT REPORT PREPARED BY SFADC AND EXPLAINED CRI-
TERIA WHICH MUST BE MET BEFORE AID FUNDING CAN BE CONSIDERED
FOR ANY PROJECT. WE AGREED KEEP IN TOUCH THROUGH IRISH CHARGE.
END SUMMMARY

1. O'REGAN, O'BRIEN AND O'CEALLAIGH CALLED ON AMB JAN 29.

FIRST TWO ARE CHAIRMAN AND DIR, RESPECTIVELY, OF SHANNON FREE AIRPORT DEVELOPMENT COMPANY (SFADC); THIRD IS IRISH CHARGE RESIDENT IN ROME. SFADC WAS ENGAGED SOME TWO YEARS AGO, THROUGH UNDP, AS EXPERT "CONSULTANTS" FOR EGYPTIAN INVESTMENT AND FREE ZONE AUTHORITY WITH MANDATE TO MAKE RECOMMENDATIONS ON HOW OPEN DOOR POLICY IN GENERAL AND FREE ZONES IN PARTICULAR MIGHT BEST BE IMPLEMENTED. SFADC, ACCORDING TO O'REGAN, HAS SUBMITTED VARIOUS REPORTS DURING THIS PERIOD, INCLUDING ONE RECOMMENDING ESTABLISHMENT OF FREE ZONE IN NASSER CITY. COST OF CONSTRUCTION OF NEEDED BUILDINGS ESTIMATED AT APPROX \$38 MILLION.

2. O'REGAN EXPLAINED PURPOSE OF CALL WAS THREE-FOLD: (A) TO EXCHANGE VIEWS ON OPEN DOOR AND FREE ZONES, (B) TO SOLICIT EMBASSY SUPPORT FOR SFADC RECOMMENDATIONS, AND (C) TO EXPLORE POSSIBILITY OF USG FINANCING OF ALL OR PART OF NASSER CITY FREE ZONE INFRASTRUCTURE. WHILE STILL WILLING TO CONTINUE WITH SFADC EFFORTS, O'REGAN EXPRESSED IRISH GROUP'S FRUSTRATION AT EGYPTIAN RELUCTANCE MOVE AHEAD VIGOROUSLY ON FREE ZONE CONCEPT. IF FREE ZONE CONCEPT IS TO WORK, O'REGAN SAID, THREE ELEMENTS ARE NECESSARY: (A) STRONG, NON-POLITICAL BOARD OF DIRECTORS, (B) COMPETENT DIRGEN, AND (C) SOUND GOE POLICIES DESIGNED TO ATTRACT INVESTMENT. HE RECALLED THAT OVER A YEAR AGO A REPORT HAD BEEN SUBMITTED TO THE THEN MINECON/COOP ZAKI SHAFEI SUGGESTING PRESENT INVESTMENT AND FREE ZONES ORGANIZATION BE COMPLETELY OVERHAULED. SPECIFICALLY, A NEW SMALL, PART-TIME BOARD OF DIRECTORS OF SEVEN MEMBERS SHOULD BE CHOSEN, FOUR OF WHOM SHOULD BE TOP-CALIBER LOCAL BUSINESSMEN AND THREE PUBLIC LIMITED OFFICIAL USE

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SERVICE CIVIL SERVANTS OF UNDER SECRETARY LEVEL AND PROVEN COMPETENCE. BOARD SHOULD BE "COMMERCIALY ORIENTED." MANAGEMENT SHOULD BE RESPONSIBILITY OF A DYNAMIC, FULL-TIME DIRGEN, WHO IS NOT A DIRECTOR, BUT HAS PROVEN ABILITY AND CAPACITY FOR LEADERSHIP. AT THE TIME ZAKI SHAFEI INDICATED GOE NEEDED MORE TIME TO STUDY PROPOSAL, BUT THUS FAR NOTHING HAS COME OF IT. O'REGAN IS SEEKING TO PUSH THE CONCEPT WITH NEW ECONOMIC GROUP MINISTERS.

3. ADVERTING TO SFADC'S NASSER CITY FREE ZONE CONCEPT, O'REGAN GAVE AMB COPY OF A COST BENEFIT STUDY, PREPARED BY JOINT IRISH/EGYPTIAN TEAM, WHICH HE ARGUED DEMONSTRATES FEASIBILITY OF SUCH A PROJECT. O'BRIEN WONDERED IF SOME US AID FUNDS MIGHT BE AVAILABLE TO FINANCE NASSER CITY NEEDED INFRA-STRUCTURE. WE ARE STUDYING REPORT AND WILL IN DUE COURSE SUBMIT IT TO THE DEPT WITH OUR COMMENTS. O'REGAN STATED THAT, IN SFADC'S VIEW BASED ON SHANNON EXPERIENCE, IF FIVE OR SIX FOREIGN COMPANIES CAN BE BROUGHT INTO ZONE, OTHERS WILL FOLLOW.

4. AMB NOTED WE TOO HAVE FOR PAST SEVERAL YEARS SOUGHT TO ENCOURAGE PRIVATE AMERICAN CAPITAL INVESTMENT IN EGYPT IN CONTEXT "OPEN DOOR" POLICY. OUR SUCCESS HAS BEEN PAINFULLY MARGINAL. INVESTMENT LAW 43 DEMONSTRABLY INADEQUATE TO ATTRACT FOREIGN CAPITAL AND OVER-ALL INVESTMENT CLIMATE IS EQUALLY SO. BUREAUCRACY HAS BEEN ANOTHER INHIBITING FACTOR. LIKE IRISH GROUP, WE HAVE BELIEVED THAT IF ONE OR TWO LARGE AMERICAN FIRMS COULD BE BROUGHT INTO EGYPT AND SHOW SUCCESS, OTHERS WOULD FOLLOW. WE ARE CONTINUING THESE EFFORTS, BUT AT THE MOMENT ONLY PROSPECTS ARE FORD AND GOODYEAR.

5. AMB ALSO MENTIONED RENEWED GOE INTEREST IN REVISING LAW 43. WE HAVE LONG URGED GOE TO DO SO AND TO IMPROVE THE ENTIRE INVESTMENT CLIMATE. IT WAS SUGGESTED THAT IRISH GROUP MIGHT ALSO EMPHASIZE TO ITS GOE CONTACTS THE IMPORTANCE OF EFFECTIVE ACTION IN THIS REGARD. UNLESS SUCH ACTION TAKEN, LIMITED OFFICIAL USE

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EVEN FREE ZONE CONCEPT WILL BE VALUELESS. AMB AGREED WE WOULD STUDY NASSER CITY COST BENEFIT REPORT AND EXPLAINED CRITERIA WHICH MUST BE MET BEFORE AID FUNDING CAN BE CONSIDERED FOR ANY PROJECT.

6. WE AGREED KEEP IN TOUCH THROUGH IRISH CHARGE.
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